

UNEMPLOYMENT INSURANCE TAX RATES UNCHANGED FOR 2004

The factors that determine an employer's Unemployment Insurance (UI) tax bill are to remain at the 2003 levels throughout 2004. This situation is due to a decision of the Idaho State Legislature made during the 2003 legislative session. This decision was based upon the state's economic condition at the time and the projected condition for 2004. The Legislature also expressed its desire to undertake a more thorough examination of Idaho's UI tax structure to possibly make it more responsive to the Idaho economy of the new decade, to the employers, and to the workers.

The essence of an employer's 2004 tax liability is that the appropriate tax rate will be applied to the first \$27,600 paid to each worker employed during the 2004 calendar year. Payment to the employee most likely will be wages, but commissions, bonuses, and non-cash items paid for the personal services also are considered wages.

A Schedule of Taxable Wage Rates establishes the appropriate tax rate for each employer. Wage reports and UI tax remittances are due to the Idaho Department of Labor (IDOL) quarterly. These funds are added to the UI Trust Fund accounts.

All new Idaho businesses that have employees begin with the same standard UI contribution (tax) rate. After a qualifying period of six calendar quarters ending on June 30, a new business that has employees is eligible for a reduced rate during the next calendar year. After that time period employers' tax rates will increase or decrease depending on their individual *experience rating* with the UI program. This rating is calculated by subtracting the employer's accumulated benefit payments from the employer's accumulated tax payments, and then dividing it by the employer's average taxable payroll.

$$\text{EXPERIENCE} = \frac{\text{TAXES PAID} - \text{BENEFITS CHARGED}}{\text{AVERAGE TAXABLE PAYROLL}}$$

The experience rating system applies to most Idaho employers. Public and private non-profit employers generally pay their UI taxes on a cost-reimbursable basis. That is, these employers reimburse the UI tax fund **after** the benefits have been paid.

Experienced employers will have either a positive or negative rating (the formula's quotient), which in turn is ranked within the positive and negative categories. Employers with the highest positive rank will pay the least

taxes; employers with the greatest negative rank will pay the most.

The rank ordering of employers can be overridden by another calculation based upon funds available in the UI Trust Fund, projected benefits to be paid from it, and the amount of new funds or tax receipts needed to maintain the Trust Fund at a prescribed level of adequacy. (Trust Fund fiscal dynamics is a whole other story!) This in turn determines which one of nine tax rate schedules will be used during the year and, consequently, which array of employer tax rates will be used based upon experience rating.

FYI Table 2 (below) is an example of the UI Tax Rates for 2004, assuming an employee earns \$27,600 or more during the year. The actual tax due amounts are determined for each quarter of the year.

FYI Table 2: 2004 Unemployment Insurance Tax Rates and Maximum Yearly Tax per Employee									
Rate Class	Percent per Rate Class	Rate for Positive Rated Employers		Standard Rate for New Employers		Rate for Negative Rated Employers			
		Rate	Tax	Rate	Tax	Rate	Tax		
1	12	0.2	55.20	1.5	414.00				
2	12	0.4	110.40						
3	12	0.6	165.60						
4	12	0.8	220.80						
5	12	1.0	276.00						
6	12	1.2	331.20						
7	28	1.4	386.40						
-1	30							2.6	717.60
-2	20							3.0	828.00
-3	15							3.4	938.40
-4	15							3.8	1,048.80
-5	15							4.2	1,159.20
-6	5							5.4	1,490.40
Average Tax for All Employers						331.20			

More information on Idaho's UI Tax system can be found on the Idaho Department of Labor's home page at <http://www.jobservice.us>. Clicking on the Unemployment Insurance tab.

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Ask the Economist

A NEW WAY OF LOOKING AT FAMILIAR EMPLOYMENT DATA

The Idaho Department of Labor recently received a request for establishment employment data in an unusual format. The requestor asked for total nonfarm employment, by month, year-over-year comparisons and how Idaho ranked nationally in terms of percent change in the monthly year-over-year data. FYI Table 2 (below), which presents some of the data gathered for this request, displays the year-over-year change in total seasonally adjusted nonfarm employment for each month since January 2000 through October 2003. Each month's employment number is compared to the same month of the previous year, and the numerical and percentage change calculated. The percentage change rate is then compared to all other states to determine the change rate rank order (descending) of every state.

Notes on Table 2:

- Reading horizontally from January to December for each year shows a fairly consistent pattern in

the level of percent change over the previous year.

- 2000 was a banner year with high numerical and percentage changes, and high national ranking.
- The year-over-year employment suddenly declined in January 2002, and the decline mode lasted for the first six months of that year. This was Idaho's reaction to the national recession, particularly in computer products manufacturing, and the economic slowdown in other industries.

If you have any questions for "Ask the Economist," please e-mail it to: LMI@jobservice.us

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FYI Table 2: Total Nonfarm Employment: Year-Over-Year Change & Idaho's Rank of Percent Change									
	Numerical Difference	Percent Difference	Rank	Numerical Difference	Percent Difference	Rank	Numerical Difference	Percent Difference	Rank
Year	January to January			February to February			March to March		
	2003	600	0.1	18	700	0.1	19	2,700	0.5
2002	-3,300	-0.6	11	-5,300	-0.9	10	-7,400	-1.3	19
2001	16,900	3.1	5	17,100	3.1	3	17,200	3.1	2
2000	19,800	3.7	3	20,500	3.9	3	20,800	3.9	3
	April to April			May to May			June to June		
	2003	1,000	0.2	15	-800	-0.1	27	1,300	0.2
2002	-2,900	-0.5	13	-1,600	-0.3	10	-1,700	-0.3	12
2001	12,300	2.2	4	9,000	1.6	7	9,400	1.7	5
2000	22,500	4.2	1	25,400	4.7	1	21,500	4.0	2
	July to July			August to August			September to September		
	2003	900	0.2	18	6,500	1.1	9	10,400	1.8
2002	1,900	0.3	8	-700	-0.1	15	1,000	0.2	11
2001	7,500	1.3	6	6,900	1.2	8	4,000	0.7	7
2000	19,000	3.5	4	21,300	3.9	4	20,700	3.8	4
	October to October			November to November			December to December		
	2003	10,100	1.8	3					
2002	3,000	0.5	10	5000	0.9	9	5000	0.9	8
2001	2,200	0.4	9	4700	0.8	7	2700	0.5	9
2000	18,200	3.3	4	17900	3.3	4	18200	3.3	4
Source: Idaho Department of Labor, December 2003									

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